

Message Text

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ACTION EUR-12

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AID-05 CEA-01 CIAE-00 COME-00 EA-10 FRB-03 INR-10
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INT-05 L-03 PA-01 CTME-00 ITC-01 SOE-02 DOE-15
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O 181448Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 1715

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PASS EB/ITP FOR BARRACLOUGH AND STR FOR FEKETEKUTY

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: TRADE PLEDGE

FOLLOWING ARE TEXTS OF DRAFT REPORT BY TRADE COMMITTEE
AND NEW REDRAFT OF TRADE PLEDGE. THESE ARE BEING
CIRCULATED ONLY TO PARTICIPANTS IN MAY 22 DINNER.
BEGIN TEXT OF DRAFT REPORT:

1. ON THE OCCASION OF THE RENEWAL IN JUNE 1977 OF
THE DECLARATION WHICH GOVERNMENTS OF OECD MEMBER
COUNTRIES HAD INITIALLY ADOPTED ON 30TH MAY, 1974, THE
COUNCIL AGREED "TO REVIEW THE SITUATION AND TO EXAMINE
ANY APPROPRIATE PROPOSALS BEFORE THE MEETING OF THE
COUNCIL AT MINISTERIAL LEVEL IN MID-78" (C/M(77)15,
PART II, ITEM 145(E)). AS WAS THE CASE LAST YEAR, THE
TRADE COMMITTEE HAS UNDERTAKEN THE NECESSARY PREPARA-
TORY WORK IN THIS RESPECT AND, IN THE PRESENT REPORT,
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SUBMITS ITS RECOMMENDATIONS.

2. THE EVOLUTION OF THE ECONOMIC SITUATION OVER THE
LAST TWELVE MONTHS HAS UNFORTUNATELY NOT BEEN OF A
KIND TO RELIEVE PROTECTIONIST PRESSURES AND REMOVE THE
RISK THAT UNILATERAL TRADE AND OTHER CURRENT
ACCOUNT MEASURES COULD TOUCH OFF CHAIN REACTIONS OF

PROTECTIONISM. IN FACT, THESE PRESSURES HAVE FURTHER INCREASED AND SO HAS THE RELATED RISK. THE TRADE COMMITTEE AGREED THAT, UNDER THESE CIRCUMSTANCES, THERE WAS A CONTINUING NEED FOR A POLITICAL COMMITMENT LIKE THE TRADE DECLARATION. THE QUESTION ADDRESSED BY THE COMMITTEE WAS HOW TO OBTAIN THE GREATEST POSSIBLE IMPACT FROM THE RENEWAL OF THE DECLARATION IN ORDER TO IMPROVE THE USEFULNESS OF THIS INSTRUMENT TO GOVERNMENTS IN THE PURSUIT OF THEIR POLICY TO MAINTAIN AN OPEN, MULTILATERAL TRADING SYSTEM.

3. DURING THE PAST THREE YEARS, THE DECLARATION HAS ALWAYS BEEN RENEWED WITHOUT ANY MODIFICATIONS TO ITS TEXT. CHANGES IN THE GENERAL ECONOMIC SITUATION OR IN MOTIVATIONS FOR THE DECLARATION HAVE BEEN TAKEN INTO ACCOUNT BY VARIOUS MEANS: COMMENTS IN 1975; A NOTE BY THE SECRETARY-GENERAL IN 1976; A REPORT BY THE TRADE COMMITTEE IN 1977. WHILE THESE TEXTS HAVE BEEN REFLECTED TO SOME EXTENT IN THE COMMUNIQUEES ISSUED AFTER THE MEETINGS OF THE COUNCIL AT MINISTERIAL LEVEL THEY WERE NOT MADE PUBLIC AS SUCH.

4. THE PROPER COURSE OF ACTION APPEARS NOW TO BE RENEWAL OF THE DECLARATION WITH A REVISED PREAMBULAR PART WHICH WOULD TAKE ACCOUNT OF DEVELOPMENTS SINCE 1974 AND REFLECT THE SPIRIT IN WHICH THE GOVERNMENT LIMITED OFFICIAL USE

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MENTS OF OECD MEMBER COUNTRIES INTEND TO PURSUE THE IMPLEMENTATION OF THE DECLARATION. THE TRADE COMMITTEE HAS THEREFORE PREPARED THE ATTACHED REDRAFT OF THE DECLARATION WHICH IT RECOMMENDS THE GOVERNMENTS OF OECD MEMBER COUNTRIES TO ADOPT (ANNEX I). THE THREE COMMENTS WHICH FOLLOW THE TEXT OF THE DECLARATION HAVE ALREADY BEEN AGREED IN 1974 AND WOULD KEEP THEIR VALIDITY; THEY WOULD BE RECORDED IN THE MINUTES OF THE COUNCIL. THE DOCUMENTS CONNECTED SINCE 1975 WITH THE SUBSEQUENT RENEWALS OF THE DECLARATION WOULD EQUALLY RETAIN THEIR STATUS AND VALIDITY IN GUIDING THE GOVERNMENTS OF OECD MEMBER COUNTRIES IN THE IMPLEMENTATION OF THE REVISED DECLARATION.

5. IN RELATION TO THE DECLARATION, LAST YEAR THE

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COUNCIL AT MINISTERIAL LEVEL NOTED WITH SATISFACTION
PROGRESS ACHIEVED IN MULTILATERAL CO-OPERATION CON-
CERNING EXPORT CREDITS. NOTABLE FURTHER PROGRESS
HAS BEEN ACCOMPLISHED RECENTLY AS DESCRIBED IN THE
ATTACHED REPORT OF THE CHAIRMAN OF THE GROUP ON
EXPORT CREDITS AND CREDIT GUARANTEES (ANNEX II):
IT IS HOPED THAT THE TWO MEMBER COUNTRIES WHICH HAVE
NOT YET FOUND IT POSSIBLE TO SUBSCRIBE TO THE NEW
ARRANGEMENT ON GUIDELINES FOR OFFICIALLY SUPPORTED
EXPORT CREDITS WILL JOIN THE ARRANGEMENT IN THE NEAR
FUTURE.

THE FOLLOWING DRAFT ENTRY IN THE COUNCIL MIN-
UTES WOULD GIVE EFFECT TO THE RECOMMENDATIONS CON-
TAINED IN THE REPORT BY THE TRADE COMMITTEE:

"THE COUNCIL

(A) NOTED THE STATEMENTS MADE BY REPRESENTATIVES
OF MEMBER COUNTRIES IN THE COURSE OF THE
DISCUSSION;

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(B) NOTED THAT THE GOVERNMENTS OF OECD MEMBER
COUNTRIES ON THE BASIS OF THE REPORT BY
THE TRADE COMMITTEE (C(78).), HAVE
ADOPTED THE REVISED TEXT OF THE DECLARATION

OF 30TH MAY, 1974 (C(78)...,ANNEX I);

(C) DECIDED THAT THE REVISED TEXT OF THE DECLARATION BE INSERTED IN THE COUNCIL MINUTES TOGETHER WITH THE AGREED COMMENTS WHICH FOLLOW THIS TEXT IN ANNEX I TO DOCUMENT C(78)..;

(D) INVITED THE SECRETARY-GENERAL, UPON THE REQUEST OF A MEMBER COUNTRY OR UPON HIS OWN INITIATIVE, TO CONTINUE TO ORGANISE IN AN APPROPRIATE WAY SUCH CONSULTATIONS AMONG MEMBER COUNTRIES AS MAY BE REQUIRED TO ASSURE THAT THE DECLARATION IS APPROPRIATELY IMPLEMENTED AS PROVIDED IN ITS PARAGRAPH (D);

(E) AGREED TO REVIEW THE SITUATION AND TO EXAMINE ANY APPROPRIATE PROPOSALS BEFORE THE MEETING OF THE COUNCIL AT MINISTERIAL LEVEL IN MID-1979;

(F) NOTED WITH SATISFACTION ON THE FURTHER PROGRESS ACHIEVED IN MULTI-LATERAL CO-OPERATION CONCERNING EXPORT CREDITS AND ENCOURAGED THOSE MEMBER COUNTRIES WHICH HAVE NOT YET SUBSCRIBED TO THE ARRANGEMENTS ON GUIDELINES FOR OFFICIALLY SUPPORTED EXPORT CREDITS TO DO SO AT THE EARLIEST POSSIBLE MOMENT."

END TEXT OF REPORT
BEGIN TEXT OF PLEDGE
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GOVERNMENTS OF OECD MEMBER COUNTRIES

(1) CONSIDERING THAT THOUGH THE ECONOMIC SITUATION IS IN SEVERAL RESPECTS DIFFERENT FROM THAT WHICH PREVAILED AT THE TIME OF THE ADOPTION OF THE DECLARATION IN 1974, IT IS STILL CHARACTERISED BY THE PROBLEM OF ADJUSTMENT TO HIGHER ENERGY PRICES AND BY A NUMBER OF OTHER SERIOUS DIFFICULTIES SUCH AS SLOW ECONOMIC GROWTH, HIGH LEVELS OF UNEMPLOYMENT, UNDER-UTILISATION OF PRODUCTIVE CAPACITY IN A NUMBER OF SECTORS, CONTINUING INFLATION, SERIOUS IMBALANCES IN INTERNATIONAL PAYMENTS AND DISTURBANCES ON FOREIGN EXCHANGE MARKETS;

(2) CONSIDERING THAT DIFFICULTIES EXPERIENCED BY CERTAIN SECTORS, OFTEN SIMULTANEOUSLY IN MANY COUNTRIES, REFLECT THE CONTINUED WEAKNESS OF DEMAND

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TOGETHER WITH STRUCTURAL CHANGES SUCH AS SHIFTS IN
RELATIVE PRICES, IN COMPETITIVE POSITIONS, AND IN
PRODUCTION AND TRADE PATTERNS;

(3) CONSIDERING THAT THESE
DIFFICULTIES CONSTITUTE AN IMPORTANT SOURCE OF
TENSION IN THE TRADE FIELD AND THAT THEREFORE THE
RISK REMAINS THAT UNILATERAL TRADE AND OTHER CURRENT
ACCOUNT MEASURES COULD TOUCH OFF CHAIN REACTIONS OF
PROTECTIONISM;

(4) CONSIDERING THAT ALL MEMBER COUNTRIES ARE
AFFECTED BY THESE DEVELOPMENTS, THOUGH IN VARYING
DEGREES;

AGREE:

(5) THAT THE NATURE AND SIZE OF THESE DIFFICULTIES
CONTINUE TO CALL FOR WIDE CO-OPERATIVE ACTION IN THE
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FIELDS OF ECONOMIC, TRADE, FINANCIAL, MONETARY,
INVESTMENT AND DEVELOPMENT POLICIES, DESIGNED NOTABLY
TO ACHIEVE SUSTAINED AND BALANCED ECONOMIC GROWTH;

(6) THAT THE FINANCING OF INTERNATIONAL PAYMENTS
DEFICITS WILL CONSTITUTE A DIFFICULT PROBLEM
FOR CERTAIN MEMBER COUNTRIES AND THAT, ACCORDINGLY,
MEMBER COUNTRIES WILL CO-OPERATE FULLY TO
FACILITATE SUCH FINANCING AND ARE READY TO CONSIDER
APPROPRIATE ARRANGEMENTS WHICH MAY PROVE
NECESSARY IN THIS RESPECT;

(7) THAT UNILATERAL TRADE OR OTHER CURRENT ACCOUNT
MEASURES BY ONE OR MORE MEMBER COUNTRIES TO DEAL WITH
THIS SITUATION AGGRAVATE THE PROBLEMS OF OTHER
COUNTRIES WITHOUT SOLVING THE UNDERLYING DIFFICULTIES
IN A LONGER TERM PERSPECTIVE AND, IF GENERALISED,
WOULD BE SELF-DEFEATING AND HAVE A DEPRESSING EFFECT
ON THE WORLD ECONOMY;

(8) THAT COUNTRIES HAVE RESPONSIBILITIES BOTH AS
IMPORTERS AND EXPORTERS TO AVOID
DISRUPTION OF REGULAR TRADE FLOWS;

(9) THAT, IN THE CASE OF SECTORAL PROBLEMS, EVERY
EFFORT SHOULD BE MADE TO IDENTIFY THEM BEFORE THEY
ASSUME CRITICAL PROPORTIONS AND TO PROCEED TO
CONSULTATIONS TO AVOID FURTHER DETERIORATION;

(10) THAT, IN THE FRAMEWORK OF
ADJUSTMENT POLICIES DESIGNED TO FOSTER ADJUSTMENT
TO CHANGING SUPPLY AND DEMAND CONDITIONS, ACTION
UNDERTAKEN TO MEET SECTORAL DIFFICULTIES SHOULD BE
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LIMITED IN TIME AND SUBJECT TO INTERNATIONAL CON-
SULTATION AND SHOULD AIM TO BRING ABOUT ADAPTATIONS
THROUGH MEASURES WHICH DO NOT TRANSFER THE BURDEN OF
ADJUSTMENT TO TRADING PARTNERS AND WHICH AVOID OR
MINIMIZE DISTORTIONS TO TRADE;

(11) THAT THERE IS THEREFORE A CONTINUING NEED FOR
A JOINT UNDERTAKING, HAVING AS ITS OBJECTIVE TO
PREVENT UNILATERAL ACTION WHICH MAY HAVE A DETRI-
MENTAL IMPACT ON INTERNATIONAL ECONOMIC RELATIONS;

(12) THAT THE SUCCESSFUL OUTCOME IN THE NEAR FUTURE
OF THE MULTILATERAL TRADE NEGOTIATIONS IN BOTH

AGRICULTURAL AND INDUSTRIAL AREAS AND ITS IMPLEMENTA-
TION ARE ESSENTIAL IN MAINTAINING AN
OPEN, MULTILATERAL TRADING SYSTEM;

(13) THAT, WITH A VIEW TO STIMULATING MUTUALLY
BENEFICIAL GROWTH OF WORLD TRADE, THERE IS A NEED TO
IMPROVE THE TRADE RELATIONS BETWEEN INDUSTRIALISED
AND DEVELOPING COUNTRIES;

DECLARE THEIR DETERMINATION, IN THE LIGHT OF THE
FOREGOING AND FOR A PERIOD OF ONE YEAR,

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(A) TO AVOID HAVING RECOURSE TO UNILATERAL
MEASURES, OF EITHER A GENERAL OR A SPECIFIC NATURE,
TO RESTRICT IMPORTS OR HAVING RECOURSE TO SIMILAR
MEASURES ON THE OTHER CURRENT ACCOUNT TRANSACTIONS,
WHICH WOULD BE CONTRARY TO THE OBJECTIVES OF THE
PRESENT DECLARATION;

(B) TO AVOID MEASURES TO STIMULATE EXPORTS OR
OTHER CURRENT ACCOUNT TRANSACTIONS ARTIFICIALLY;
AND, INTER ALIA, ABSTAIN FROM DESTRUCTIVE COMPETI-

TION IN OFFICIAL SUPPORT OF EXPORT CREDIT AND AIM
AT CONTINUING PROGRESS IN CO-OPERATIVE ACTION TO THIS
EFFECT;

(C) TO AVOID EXPORT RESTRICTIONS WHICH WOULD BE
CONTRARY TO THE OBJECTIVES OF THE PRESENT DECLARA-
TION;

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(D) TO CONSULT WITH EACH OTHER, MAKING FULL USE OF
THE GENERAL PROCEDURES OF CONSULTATION WITHIN OECD,
IN ORDER TO ASSURE THAT THE PRESENT DECLARATION IS
PROPERLY IMPLEMENTED;

(E) TO IMPLEMENT THE PRESENT DECLARATION IN
ACCORDANCE WITH THEIR INTERNATIONAL OBLIGATIONS
AND WITH DUE REGARD TO THE SPECIAL NEEDS OF
DEVELOPING COUNTRIES.

IN ADOPTING THE ABOVE DECLARATION, GOVERNMENTS OF
MEMBER COUNTRIES AGREED ON THE FOLLOWING COMMENTS.

(A) IT IS UNDERSTOOD THAT THE PURPOSE OF THE
DECLARATION IS NOT TO PRECLUDE TRADE MEASURES ON
PARTICULAR PRODUCTS WHICH CAN BE JUSTIFIED UNDER
EXISTING INTERNATIONAL PROVISIONS, SUCH AS ARTICLE
XIX OF THE GATT, AND WHICH ARE NOT LINKED WITH THE
SITUATION DESCRIBED IN THE DECLARATION.

(B) IT IS UNDERSTOOD THAT THE REFERENCE TO DEVELOPING
COUNTRIES IN PARAGRAPH (E) OF THE DECLARATION
COVERS ALSO DEVELOPING MEMBER COUNTRIES.

(C) WHILE THE DECLARATION IS NOT A LEGALLY BINDING
INTERNATIONAL AGREEMENT, THE GOVERNMENTS OF OECD
MEMBER COUNTRIES EXPRESS THEIR FIRM POLITICAL
DETERMINATION THAT IN CARRYING OUT THEIR POLICIES
THEY WILL OBSERVE THE SPIRIT OF THE DECLARATION AS
WELL AS THE PARTICULAR ELEMENTS IT CONTAINS.
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THESE ARE BEING
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